IT Project Evaluation

State of Iowa - Return on Investment Program / IT Project Evaluation

Tracking Number (For Project Office Use)

SECTION 1: PROPOSAL

Project Name: Electronic Tax Administration Date: 07/14//00

Agency Point of Contact for Project: Richard Jacobs

Agency Point of Contact Phone Number / E-mail: Richard.Jacobs@idrf.state.ia.us

Executive Sponsor (Agency Director or Designee) Signature: G.D. Bair

Is this project necessary for compliance with a Federal standard, initiative, or statute? (If "Yes," cite specific requirement, attach copy of requirement, and explain in Proposal Summary)	❑ Yes	X No
Is this project required by State statute? (If "Yes," explain in Proposal Summary)	❑ Yes	X No
Does this project meet a health, safety or security requirement? (If "Yes," explain in Proposal Summary)	❑ Yes	X No
Is this project necessary for compliance with an enterprise technology standard? (If "Yes," explain in Proposal Summary)	❑ Yes	X No
Does this project contribute to meeting a strategic goal of government? (If "Yes," explain in Proposal Summary)	X Yes	❑ No
Is this a "research and development" project? (If "Yes," explain in Proposal Summary)	X Yes Portion of Project	❑ No

PROPOSAL SUMMARY: *SEE NEXT PAGE*

In written detail, explain why the project is being undertaken and the results that are expected. This includes, but is not limited to, the following

1. A pre-project (before implementation) and a post-project (after implementation) description of the system or process that will be impacted.

2. A summary of the extent to which the project provides tangible and intangible benefits to either Iowa citizens or to State government. Included would be such items as qualifying for additional matching funds, improving the quality of life, reducing the government hassle factor, providing enhanced services, improving work processes, complying with enterprise technology standards, meeting a strategic goal, avoiding the loss of matching funds, avoiding program penalties/sanctions or interest charges, avoiding risks to health/security/safety, complying with federal or state laws, etc.

3. A summary that identifies the project stakeholders and how they are impacted by the project.

Section 1- Proposal Summary

Overview

The funds requested will provide Iowa taxpayers and tax professionals with the opportunity to electronically receive and file information with the state and to increase the capability of the department in electronic tax administration. Providing the electronic access directly supports and in fact is a key ingredient of Governor Vilsack's and Lieutenant Governor Pederson's goal of providing government information and services when and where they are convenient to Iowans. In addition, by moving to integrate an important component of tax reporting (i.e. sales tax) with other tax information, the department will gain the ability to provide the improved services that are available with other taxes previously incorporated in the department's modern information system.

The request is in reality composed of six separate, but related, projects which are intended to provide Iowans with greater access and convenience when dealing with their tax responsibilities. This effort builds on existing electronic initiatives, which have both created a platform on which to base additional efforts and provided the agency with the experience in managing electronic initiatives to permit this major step forward. These advancements will allow Iowa taxpayers to utilize electronic access and filing at a level at least equal to and in most cases greater than what is occurring in other states.

What Is Being Proposed?

As indicated there are six related and highly dependent projects. These include continuation of recent efforts to provide electronic services as well as the expansion of the service offerings into several areas specifically requested by the agency's customers.

A. Maintaining and Expanding Electronic Filing Alternatives for Individual Income Taxpayers

In the most recent tax season, over 31,000 mostly lower income taxpayers elected to file their individual income tax return using Iowa Telefile, a telephone based service. The application, which was developed under contract with a private vendor, has a minimal fixed cost. However, each return filed results in costs of nearly $3.00 for service charges. The department has informed the vendor that due to reductions in appropriations, the agency will not be able to maintain the service for the next filing season.

The vendor has approached the agency to discuss the options of developing a web enabled front-end to the current application which would simplify the effort required by taxpayers to file and would reduce costs for communications. The department is excited about this opportunity as it allows for the department to have real experience with direct filing of income tax returns via the Internet without having to invest heavily in application development.

Building a pilot program using existing vendor relationships would appear to be preferred to investing in the development effort that would be required of the state. In previous research, the few states, which offer Internet- based income tax filing, were contacted. It was learned that due to the complexity of the income tax calculation and the need for security that most states spent at least six months of staff or vendor effort to complete a development. It was also learned that direct filing of income tax returns is limited with most states receiving less than 50,000 returns each year.

In considering the correct course to take, it is important to be conscious of the highly effective federal/state electronic filing program. With the 2001-filing season expected to bring nearly 500,000 electronically filed returns, a substantial portion of the "electronic market" has been reached. Reaching the others who might wish to file directly without professional assistance is the next key initiative.

As a result it was determined that continuation of the current tele-file application which has made some market penetration would be preferred to a new start in this area. In addition, since the current application has much of the "business logic" developed for editing and calculation purposes, it seems that a web front end to this application would be the most efficient use of resources.

B. Completion of Integration of Sales Tax into Integrated Revenue Information System

The department has made a commitment to incorporating the sales, use and related taxes that are administered by the agency into the department's centralized information system known as IRIS. The project has been extensively planned, conceptual and logical design completed and customer sign-off completed. The incorporation will provide benefits to customers of the agency and to agency staff which extend beyond Internet filing and access. However, the timely completion of this integration is necessary in order to provide the platform to which Internet access can be completed

The integration offers numerous advantages for the department and for our customers. However specifically relating to electronic commerce this integration will provide the department with one location for customer requests made via the Internet to be received and processed. Further, since the customer is "registered" under a single identification number, it will be possible for a customer to make inquiries for information for multiple taxes using one identification number and a single contact.

This effort is estimated to require approximately 9,000 hours of application development. The department intends to provide approximately 2/3 of the project staff. Application development staff funding is requested to allow the timely completion of this initiative.

C. Providing Internet Access to Customer Information for Updating and Accessing Taxpayer Registration and Transactions

The department intends to create an infrastructure and applications to permit access to taxpayer data by those that are authorized. Among the initial applications or services anticipated are the following:

- Allow 24 X 7 access to taxpayer registration and transaction data
- Allow registration and subsequent updating of registration data
- Allow interested citizens to determine if a valid business permit has been issued

The Internet applications are designed to meet two of the largest service areas of the agency. Registration and maintaining the registration information when the taxpayer moves or changes other demographics is a responsibility that requires extensive communications with the taxpayer and substantial staffing. With over 3 million customers the volume of these changes is significant. By providing an electronic method for communication of these changes, the agency anticipates both improved customer service and improved efficiency. For example, customers strongly desire the ability to maintain their customer address records to insure not only that the address is correct but that other parties involved in the preparation of tax returns or responsible for payment of the taxes are correctly identified. These customers currently do not understand how an agency that is responsible for the collection of over $5 billion of revenues still must

require written communication or a telephone contact to change a mailing address. From the department perspective it is anticipated that improved maintenance of registration data will improve the rate of mail which is delivered timely thus reducing further compliance or collection contacts.

Providing information to taxpayers in regards to recent payment history and status of their accounts is one of the reasons the agency receives over 175,000 calls each year that require personal intervention. As indicated, the department's survey of 1,000 business customers demonstrated that the service that would be highest on their list of priorities would be to provide a 24X 7 access to the taxpayers records. In addition, the Iowa CPA Society has requested that the agency provide this service especially as it relates to income tax estimated payments. Providing this access would of course reduce the volume of calls the agency must handle thereby allowing the department to dedicate staff to addressing other priorities.

D. Providing Internet Capability for Taxpayers to Complete Electronic Payment Requests

As a unique transaction service, the department intends to provide taxpayers with the opportunity to electronically request that the department debit specified amounts from their bank account for payment of estimated income taxes and final payments when the return is filed. This application is specifically designed to permit the agency to take advantage of the extensive experience that exists within the agency with electronic payment processing. The use of EFT by the agency, which results in the collection of over 50 percent of state taxes, appears to be a preferred method by many customers to submit payments to the agency.

By beginning with income tax payments, the department will gain experience in the development of applications which can target the non-business taxpayer and assist this sector to have alternatives to traditional check writing or expensive credit card payment options. The application will allow taxpayers to provide bank account information and the amount of requested debit. Prior to completion of the transaction the agency intends to email the taxpayer with a notice of the pending action. The department would also anticipate building on the receipt and processing end of the application to include a notification of receipt of payment component.

E. Providing Internet capability for sales tax filing

The department is anticipating that Internet filing for sales and use tax will be developed in 2001. There are however at least two ways in which this service can be delivered; vendor based or internally developed. In addition and critical to the design of the system is the degree to which the national project on sales tax filing simplification becomes a reality. Under this alternative the state may have the opportunity to contract with service providers who in effect will act as "collector of choice" for those retailers who do business in multiple states, via the Internet or through catalog sales. This process which was originally conceived as a means to collect tax not currently being collected from these sources has been expanded in concept to allow for the possible use of the technology and resources by "main-street retailers." If utilized in this way it may be that subsidization of this alternative form of sales tax collection will be preferable to independent development of sales tax Internet filing systems.

The project includes a request for funding based on estimates of resources required to create an Internet Filing application. The estimate is for funds primarily in FY 2002 although earlier use of the funds may be possible. The department anticipates that if the project is selected that the agency would work closely with the Project Office to determine the timing and utilization of the funds.

F. Developing "information push" resources

This use of email, list servers and supporting registration database will allow the department to provide targeted mailings to customers (examples include filing reminders and industry specific distribution of policy decisions). This is simply another step in an ongoing program to build an effective taxpayer education program.

The department believes strongly in taxpayer education and communications. While the means for delivery of this information are diverse, a key component of our information program has been the department's home page. Nearly 100 publications, reports and newsletters are provided at the site. The agency provides over 160 current tax forms and instructions. Including multiple years' tax returns, the department has nearly 300 publications available on the Internet.

In addition, the agency has in the past two years actively pursued the development of email service delivery for taxpayers. With over 5,000 taxpayers contacting the department by email in the past year the success of the program demonstrates the potential for improving communications through targeting email.

The department intends to develop what is referred to as an "information push" initiative where communications will be targeted for specific groups of taxpayers. These taxpayer groups which might be based on industry type, occupation, location or other demographic organizations would be identified. Registration campaigns to identify interested participants would be conducted working in conjunction with business associations, taxpayer groups, local governments and other organizations. The resulting email lists would be used to distribute the targeted mailings on a regular or as needed basis. In addition, this component would serve as a component of the department's Internet based electronic notification of payments program (Initiative D described above.) Continuing this into the future the agency seeks to provide email notification of other filing and payment dates to requesting taxpayers.

Why These Projects Now?

The simple answer is that our customers are already asking for these services. For example, in 1999 when the department conducted a market research survey of over 1000 Iowa businesses to determine our business customer's visions for future services, it was established that 70% of our business customers wanted 24X7 access to their account information. This included the ability to update their profile information and have access to past payment records. The study also found that overall customer satisfaction was high regarding the agency's current services and that improvements of service through electronic alternatives should not come at the determent to current services.

At the same time that the agency is considering expansion of services, it is important to recognize that existing electronic forms of service should continue to meet the needs which are currently being satisfied. In addition, providing a modern back-end infrastructure to allow for the continued expansion of services is critical. The request provides this support by providing resources necessary to complete construction within the department's Integrated Revenue Information System (IRIS) database of transaction data from over 400,000 sales and use tax returns filed annually. With the inclusion of sales tax data into IRIS, data from three most critical taxes will be integrated in one database thereby allowing a single access point for electronic transactions.

Maintaining security of tax return information is also a key component of the initiative. More than most government organizations the department must insure that data is secure during

transmission, while stored and when retrieved. The agency has committed substantial funds to building a secure network infrastructure that meets the IRS and state requirements. The proposal will insure the continuity of this security infrastructure as we conduct business electronically with our customers.

Finally, while taxpayers and local governments are the final customers for most of the agency's transactions, it is important that consideration be given to various partners the department has in tax administration. The collection of taxes and the filing of tax returns involve a variety of partners especially when considering what has been accomplished already in the delivery of electronic services. Whether it be tax preparers, software developers, the Internal Revenue Service, financial services companies and/or private vendors who are supporting existing applications, the building of new opportunities for electronic filing must consider the applications that currently exist. Leveraging these relationships which currently result in the electronic filing of over 400,000 income tax returns and electronic funds transfer of over $3.0 billion of state taxes results has resulted in the department focusing on this set of initial opportunities.

What Are The Benefits?

The agency supports one of the largest and most diverse customer sets within government. The customers include individual taxpayers that file a single individual income tax return each year, small and large businesses who file multiple tax returns and remit various tax payments up to 36 times a year and large multi-national or international corporations who prepare and submit taxes to all 50 states. In addition to the “taxpayer” the department’s customers include professional tax preparers, Certified Public Accountants, software developers, small retailers and employers, multi-national corporations, financial institutions, tobacco manufacturers and local government officials.

In preparing to move the services currently provided to electronic delivery, the agency has seriously considered the disparity of the customer base, the differences in their use of technology and the applicability of technology for their meeting reporting, payment and access responsibilities. The effort builds on the department's previously mentioned study of our business tax customers who identified a number of electronic services they wish to have placed in the highest priority. These included:

- ✓ Provide access 24 /7 for individuals to their history of tax payments and registration information
- ✓ A single location for registration activity to occur
- ✓ Automatic confirmation of transactions as received
- ✓ Providing automatic reminders of filing requirements
- ✓ Update information provided electronically
- ✓ Filing and remitting taxes electronically

In addition to the surveyed business customers, the department is listening to other customers such as the Iowa Society of Certified Public Accountants. This organization which represents a large and important sector of the tax professionals in the state has asked that the department provide access to historical payment information. As an example, an estimated 150,000 Iowans remit estimated income tax payments during a tax year. However, at the time of filing their return a percentage of these Iowans are unable to answer to provide to their practitioner the amount of estimated tax payments made during the prior calendar year. By providing practitioners a secure electronic method to obtain this information, a portion of errors in processing could be eliminated and a high volume of phone contacts would eliminate. The

application would provide 24x7 access to a variety of other tax and refund inquiries for both tax professionals and individual taxpayers.

The list of ways in which other customers can benefit from the electronic service delivery is extensive. With over 4 million documents filed and $5.0 billion of tax payments remitted annually the department has extensive customer contact. In addition, over 175,000 customers find it necessary to contact the department via phone to obtain information and assistance. While the use of the Internet for information delivery has been a strong component of the agency's program for information delivery, there is room for more proactive information distribution. Utilizing electronic communications the agency believes it can expand this service to deliver information such as notification of filing deadlines or changes in tax policy to targeted sectors of its customer base.

While the improvements proposed have certain intangible benefits to our customers the department recognizes that tangible benefits exist if the agency is able to move into electronic service delivery. Benefits to taxpayers include:

- Reduced cost in preparing the return
- Reduced cost in resulting correspondence
- Reduced cost due to penalty and interest from incorrectly remitted taxes
- Expanded access to government services
- Improved capability to deliver reliable and timely distribution of local option taxes collected for local governments

Numerous benefits would also accrue to the department. These include:

- Improved processes for capturing and processing sales and use tax data including local option tax data
- Reduction in errors occurring in processing of tax data and payments
- Increased employee satisfaction resulting from use of more progressive methods of service delivery and from greater customer satisfaction
- Reduction in certain administrative costs if postage and printing of correspondence and forms can occur as result of electronic service delivery
- Building an integrated information system in conjunction with development of electronic delivery methods allows the agency to migrate from existing single paper based technology to multiple technologies without adversely affecting customers
- More rapid and less errors in depositing of state tax funds
- Improving the department's platform on which sales taxes are processed is necessary if the agency is going to meet the customer's demand for timely return processing and payment deposits. This customer expectation will accelerate as Internet access to the customer records is provided.

SECTION 2: PROJECT PLAN *SEE NEXT PAGE*

Individual project plans will vary depending upon the size and complexity of the project. A project plan includes the following information:

1. Agency Information

Project Executive Sponsor Responsibilities: Identify, in Section I, the executive who is the sponsor of the project. The sponsor must have the authority to ensure that adequate resources are available for the entire project, that there is commitment and support for the project, and that the organization will achieve successful project implementation.

Organization Skills: Identify the skills that are necessary for successful project implementation. Identify which of these skills are available within the agency and the source(s) and acquisition plan for the skills that are lacking.

2. Project Information

Mission, Goals, Objectives: The project plan should clearly demonstrate that the project has developed from an idea to a detailed plan of action. The project plan must link the project to an agency's mission, goals, and objectives and define project objectives and how they will be reached. The project plan should include the following:

A. **Expectations**: A description of the purpose or reason that the effort is being undertaken and the results that are anticipated.

B. **Measures**: A description of the set of beliefs, tradeoffs and philosophies that govern the results of the project and their attainment. How is the project to be judged or valued? What criteria will be used to determine if the project is successful? What happens if the project fails?

C. **Environment:** Who will provide input (e.g., businesses, other agencies, and citizens) into the development of the solution? Are others creating similar or related projects? Are there cooperation opportunities?

D. **Project Management and Risk Mitigation:** A description of how you plan to manage the project budget, project scope, vendors, contracts and business process change (if applicable). Describe how you plan to mitigate project risk.

E. **Security / Data Integrity / Data Accuracy / Information Privacy:** A description of the security requirements of the project? How will these requirements be integrated into the project and tested. What measures will be taken to insure data integrity, data accuracy and information privacy?

Section 2 Project Plan

1. Agency Information - Director Gerald Bair is the Executive Sponsor; The department's management team has committed to the outlined activities as one of the key initiatives of the agency.

Organization Skills -

The agency has a long standing commitment to electronic commerce as demonstrated by the emphasis placed on the joint federal/state electronic filing program, the reliance on electronic funds transfer for payments and the utilization of the web as means of information dissemination. Moving to interactive web development is the next logical step and several key components of the infrastructure have been planned and to some extent experimentation or piloting has occurred. The department believes this project requires seven key organizational skills in order to be successful.

1. Management Commitment- **Achieved**
2. Customer Identification **- Achieved --**Through the planning process that has occurred, the customer surveys mentioned previously, the lessons learned from providing current electronic services and the success and failures of projects in other state tax departments, the agency believes it has a strong understanding of what will be accepted.
3. Project Management - **Achieved**- The agency has senior staff who have experience in managing large technology projects.
4. Technical project management-- Plan includes contracting for development of infrastructure will be contracted with knowledge transfer required to allow continuation of the development in latter phases. Technical project management for application development will be provided by senior application technical managers who are on staff.
5. Application Development and DataBase Designs- Plan includes a mix of department and consultant staff will be used depending on the technology.
6. Security and Hardware Design and Deployment - Current contract staff assisted by those with advanced technical experience will complete the security model and its deployment. Hardware design and installation will occur primarily with existing staff.

2. Project Information - Project has developed from several years of planning and groundwork with customers. It is believed that by viewing the project as containing six interrelated components that a clear understanding of the justification can be achieved.

A. Maintaining and expanding electronic filing alternatives for Individual Income Tax Returns
B. Completion of integration of sales tax into Integrated Revenue Information System
C. Providing Internet access to customer information for updating and accessing Taxpayer Registration and Transactions
D. Providing Internet capability for sales tax filing
E. Providing Internet capability for taxpayers to complete electronic payment requests
F. Developing "information push" resources to allow department to provide targeted mailings to customers (examples include filing reminders and industry specific distribution of policy decisions).

To achieve success in these areas requires the department to in effect manage several projects with different technologies. However, we believe that support of these technology projects should be considered jointly as they each target different forms of electronic access to department tax services.

Centralized Project Management- Management of the projects will be centralized within the department's Internal Resource Management Division, which is the primary source of technology support within the agency. Since the projects will affect the level of services delivered by the Compliance and State Financial Management Divisions, a project oversight team will be created. Key managers from the operations and technical support area who affected the expected outcomes will staff this team. The project director and staff will be expected to provide a detailed project plan for completion of each phase and projection of resource requirements (including staffing and technology acquisitions). These planning documents will be completed once project funding is established and priorities established based on available resources.

The project office will be expected to provide regular updates of forecasts and identification of issues that need resolution. These revisions will be discussed periodically (no less than quarterly) with the Project Oversight Team and the Director. Such reports and discussions will be accessible to the ITD project office and the department will welcome input into this process.

Risk Avoidance -Avoiding of risks in technology planning is a key component of successful project deployment. The agency has the advantage of having completed in recent years several successful projects of similar scope. They include the development of various phases of the IRIS information system, the automation of 13 field offices, the deployment of current network and desktop technologies using highly structured methodology and the completion of Y2K compliance testing. In each of these areas the department has applied tested project management practices and has developed within the organization skills and understanding of the significance of effective project management.

Risk avoidance can be avoided by using skilled contract resources to address the technical issues that will arise for the first time in this area. The department has extensive experience in managing technical resources under contract and approaches the use of these resources only on an as needed basis. However, the department recognizes that evaluation of when to use outside resources should be made on the basis of "the value added" and not simply on cost of the service. We intend to continue to use this philosophy of partnering with the best service provider available when it adds value to the project.

Data Security- Security of data is a key requirement for the department. As indicated, the project consists of several initiatives and thus a portion of the security requirements are met by a security model, which is already in place (i.e. mainframe applications security). As to other security requirements, the department has a well-recognized commitment to insuring the security of data and applications. As an example, the agency has gone to the effort to establish an independent firewall with supporting hardware and software and will soon be supporting data encryption for its WAN traffic to meet the state and federal confidentiality requirements in which the department operates. This security will be enhanced perhaps further than in most state agencies as we will install additional filters or security levels between the mainframe, the web server and the Internet. The project requests funding for completing a security model design which insures the confidentiality and integrity of the application and the data.

3. Current Technology Environment

Software --

Mainframe -- IDMS software including ADSO and Cobol DML

Network/Client Server - The department has a complete inventory of all software, which consists of nearly 100 software programs. However, since the department standards are based on Microsoft's operating and application suites most of this software is special use and outside the parameters of this project.

Hardware –

Mainframe -- ITD mainframe, connectivity from desktop provided via SNA gateways with planned migration to TN 3270
Department's mainframe applications interface to a great deal with each other, however, due to the nature of applications there are limited data interfaces with other agency applications.

Network -- 10 mg Ethernet With Frame Relay For Wide Area Network connectivity
Novell 5.0 and NT 4.0
Exchange 5.5
SQL 7.0 being introduced for database development

Dial-in access provided to selected field users using CISCO 3640

Novell Border Manager Firewall

Desktop Standard Win 95; IBM PIII is current desktop configuration

Proposed Environment

Environment described above will be augment by acquisition of additional licenses for SQL 7.0 and Internet Development tools including Visual InterDev and Microsoft Transaction Server.

Security software necessary to augment the project are unknown but anticipated. Recommendations from consulting phase will form basis for additional security software.

New applications will require interface to mainframe information system known as IRIS. Centralization of mainframe processing will thereby limit the number of interfaces required to the Internet server, data base server and mainframe.

Data Elements –

Data elements required for each initiative are extensive. As indicated, a portion of data is maintained in IDMS database on mainframe with other tax systems. Agency is committed to utilization of SQL Server for other databases development.

Project Schedule --

Project schedule will be completed once resources are available, however, it is possible at this time to comment on each initiative.

A. Maintaining and Expanding Electronic Filing Alternatives for Individual Income Tax Returns Anticipate continuation of Telefile application for TY 2000 processing beginning in January 2001. If funding is available and vendor commits, we anticipate delivery of web based interface at the same time.

Continuation of the tele-file program is critical to maintaining momentum with the development of electronic filing of individually prepared tax returns. By partnering with a vendor experienced in developing income tax filing applications the department believes that much of the traditional front-end design costs can be avoided.

B. Completion of integration of sales tax into Integrated Revenue Information System - Funding requested would permit completion of application by October 2001. Without such funding, the project would necessarily be delayed until late in FY 01. The effect would be that Internet Access applications, which would rely on data for the 100,000 plus sales and use tax filers would not be available until the IRIS applications are available.

C. Providing Internet access to customer information for updating and accessing taxpayer Registration and Transactions -- Anticipated that initial update application would be completed by January 2001. Additional access applications completed on a quarterly basis throughout 2001.

D. Providing Internet capability for taxpayers to complete electronic payment requests - Anticipated that application will be ready for use in 2001 filing season which places priority on completion prior to February 2001.

E. Providing Internet capability for sales tax filing- This project is anticipated to be in planning during first half of calendar 2001. Decision as to whether to develop internally or use a vendor provided service will be made with expenditures on development or service delivery occurring in second half of calendar 2001.

F. Developing "information push" resources to allow department to provide targeted mailings to customers (examples include filing reminders and industry specific distribution of policy decisions) - Depending on resources this independent deliverable can begin prior to December with additional support and applications developed during initial six months of 2001.

SECTION 3: Return on Investment (ROI) Financial Analysis

Project Budget:
Costs shown in this section are total project costs. Department intends to contribute approximately 40% of project costs as described below

Provide the estimated project cost by expense category.

Personnel	$1,220,640
Software	$ 47,500
Hardware	$ 49,500
Training	$ 5,000
Facilities	$
Professional Services	$ 205,000
Supplies	$
Other (Specify)……	$_____
Total	$ 1,527,640

Project Funding:

Provide the estimated project cost by funding source.

State Funds	$ 1,527,640	100 % of total cost
Federal Funds	$_____	% of total cost
Local Gov. Funds	$_____	% of total cost
Private Funds	$_____	% of total cost
Other Funds (Specify)	$_____	% of total cost
Total Cost:	$_____	% of total cost

How much of the cost would be incurred by your agency from normal operating budgets (staff, equipment, etc.)? ..... $ 602,500 39%

How much of the cost would be paid by "requested IT project funding"? .. $925,140 61%

Provide the estimated project cost by fiscal year: FY01_____ $ 1.3million_____

FY02_____ $_ .2million

FY_____ $_____

ROI Financial Worksheet Directions (Attach Written Detail as Requested):

Annual Pre-Project Cost -- Quantify, in written detail, all actual State government direct and indirect costs (personnel, support, equipment, etc.) associated with the activity, system or process prior to project implementation. This section should be completed only if State Government costs are expected to be reduced as a result of project implementation.

Annual Post-Project Cost -- Quantify, in written detail, all estimated State government direct and indirect costs associated with activity, system or process after project implementation. This section should be completed only if State government costs are expected to be reduced as a result of project implementation.

State Government Benefit -- Subtract the total "Annual Post-Project Cost" from the total "Annual Pre-Project Cost." This section should be completed only if State government costs are expected to be reduced as a result of project implementation.

Citizen Benefit -- Quantify, in written detail the estimated annual value of the project to Iowa citizens. This includes the "hard cost" value of avoiding expenses (hidden taxes) related to conducting business with State government. These expenses may be of a personal or business nature. They could be related to transportation, the time expended on or waiting for the manual processing of governmental paperwork such as licenses or applications, taking time off work, mailing, or other similar expenses.

Opportunity Value/Risk or Loss Avoidance Benefit -- Quantify, in written detail the estimated annual benefit to Iowa citizens or to State government. This could include such items as qualifying for additional matching funds, avoiding the loss of matching funds, avoiding program penalties/sanctions or interest charges, avoiding risks to health/security/safety, avoiding the consequences of not complying with State or federal laws, providing enhanced services, avoiding the consequences of not complying with enterprise technology standards, etc.

Total Annual Project Benefit -- Add the values of all annual benefit categories.

Total Annual Project Cost -- Quantify, in written detail, the estimated annual new cost necessary to implement and maintain the project including consulting fees, equipment retirement, ongoing expenses (i.e. labor, etc.), other technology (hardware, software and development), and any other specifically identifiable project related expense. In general, to calculate the annual hardware cost, divide the hardware and associated costs by three (3), the useful life. In general, to calculate the annual software cost, divide the software and associated costs by four (4), the useful life. This may require assigning consulting fees to hardware cost or to software cost. A different useful life may be used if it can be documented.

Benefit / Cost Ratio – Divide the "Total Annual Project Benefit" by the "Total Annual Project Cost." If the resulting figure is greater than one (1.00), then the annual project benefits exceed the annual project cost. If the resulting figure is less than one (1.00), then the annual project benefits are less than the annual project cost.

ROI -- Subtract the "Total Annual Project Cost" from the "Total Annual Project Benefit" and divide by the amount of the project funds requested.

Benefits Not Cost Related or Quantifiable -- List the project benefits and articulate, in written detail, why they (IT innovation, unique system application, utilization of new technology, hidden taxes, improving the quality of life, reducing the government hassle factor, meeting a strategic goal, etc.) are not cost related or quantifiable. Rate the importance of these benefits on a "1 – 10" basis, with "10" being of highest importance. Check the "Benefits Not Cost Related or Quantifiable" box in the applicable row.

COMMENTS ON ROI---- SEE NEXT PAGE

ROI Financial Worksheet

Annual Pre-Project Cost - How You Perform The Function(s) Now	
FTE Cost (salary plus benefits):	
Support Cost (i.e. office supplies, telephone, pagers, travel, etc.):	
Other Cost (expense items other than FTEs & support costs, i.e. indirect costs if applicable, etc.):	
A. Total Annual Pre-Project Cost:	
Annual Post-Project Cost – How You Propose to Perform the Function(s)	
FTE Cost:	
Support Cost (i.e. office supplies, telephone, pagers, travel, etc.):	
Other Cost (expense items other than FTEs & support costs, i.e. indirect costs if applicable, etc.):	
B. Total Annual Post-Project Cost:	
State Government Benefit (= A-B):	
Annual Benefit Summary	
State Government Benefit:	
Citizen Benefit (including quantifiable "hidden taxes"):	
Opportunity Value and Risk/Loss Avoidance Benefit:	
C. Total Annual Project Benefit:	
D. Total Annual Project Cost:	
Benefit / Cost Ratio (C / D):	———
ROI (C – D / Project Funds Requested):	_____%
X Benefits Not Cost Related or Quantifiable (including non-quantifiable "hidden taxes") (at present time)	

Return on Investment

The department believes that the return on the investment from this initiative will come in the form of reduced costs for taxpayers and tax professionals. In addition, improved services will increase the satisfaction that these entities have with state government in the process of tax collection and administration.

The department understands the importance of demonstration of the ROI both in terms of quantifiable savings and in terms of intangible benefits. The department is currently undertaking the task of quantification of benefits and will be working with the Project Office to meet the needs of the evaluation process. However, this effort is not completed and the department is requesting that consideration be given to the following benefits of the project.

Benefits to taxpayers include:

- ***Reduced cost in preparing the return***- the department recognizes that if information is readily available regarding prior transactions that taxpayers will expend less time and effort in completing a return. The projects have as a principal objective making prior tax information and registration data available 24X7.
- ***Reduced cost in resulting correspondence***- taxpayers currently incur costs in a variety of ways in order to communicate with the agency. These include the costs for creation of correspondence, staff time for phoning the agency and postage. The internet services will not only result in a reduction in costs for filing of returns but will reduce the correspondence needed to maintain tax registrations
- ***Reduced cost due to penalty and interest from incorrectly remitted taxes***- a primary advantage of Internet filing applications is that the taxpayer is assisted by a computer application in the completion of the tax return. Errors are detected prior to submission rather than after the return is processed by the agency. The access to payment or deposit information will also be a primary factor in reducing taxpayer errors which result in the misapplication of prior payments when computing the amount due on a quarterly return for example. Since most Iowans wish to pay the amount of taxes they owe, the correct determination of tax liability at time of filing will result in a reduction in penalty and late interest charges.
- ***Expanded access to government services***- placing a value on the availability of information and filing options is difficult to complete. However, as the Internet service delivery model expands from the financial sector to retail and finally to government this service will no longer be thought of a as an alternative. Rather as government strives to become more efficient, taxpayers will be become more reliant on "off hours access" To meet this demand, it is critical that government find a way in which to provide both information and service options on a 24x 7 basis.
- ***Improved capability to deliver reliable and timely distribution of local option taxes collected for local governments***- completion of sales tax processing improvements will result in a number of efficiencies. None perhaps is more important than the anticipated re-engineering of the local option sales tax processing and distribution component of the sales tax application. When local option taxes were authorized in 1985, this component was added to a 10-year-old legacy application. Since that time the utilization of local option taxes has expanded to where over 600 jurisdictions impose the tax. Collection and allocation of the over $250 million of local option taxes is now a major activity for the agency and the accuracy and timely distribution of these funds will be improved by the completion of this project.

Benefits to the department include::

- ***Improved processes for capturing and processing sales and use tax data including local option tax data-*** As indicated the agency has developed in recent years an integration of its previously stand alone information systems. This integration offers advantages in terms of processing of returns and resolution of taxpayer errors. In addition, since the new applications reflect the current modern way of return processing, it is expected that staff efficiency will increase as the result of elimination of the need for many staff to be familiar with a second and somewhat obsolete application
- ***Reduction in errors occurring in processing of tax data and payments-*** error reductions will occur from fewer taxpayer errors, particularly as the result of the internet filing of tax returns and the taxpayers access to previous filing history. This reduction will reduce the cycle time required for processing quarterly sales tax returns and income tax payments. These staff hours will be available to further improve service and to staff the support requirements that will exist with Internet applications.
- ***Increased employee satisfaction resulting from use of more progressive methods of service delivery and from greater customer satisfaction***- the department continues to strive to provide employees with satisfaction through modernizing the tools they must use. In addition, since many of our employees have direct customer contact, the benefits that are going to be experienced by our customers will to some degree be reflected back to our employees through customer feedback. Simply stated, modernization will have both direct and indirect influences on the level of employee satisfaction.
- **Reduction in certain administrative costs if postage and printing of correspondence and forms can occur as result of electronic service delivery--** as indicated error reduction and direct taxpayer access to records are tangible benefits of these initiatives. It is assumed although difficult to quantify, that a reduction will occur in the correspondence that must be sent as the result of errors or billings. Similarly requests for information that currently require the department to generate a response are expected to be reduced
- ***Building an integrated information system-*** in conjunction with development of electronic delivery methods the project allows the agency to migrate from existing single paper based technology to multiple technologies without adversely affecting customer. The IRIS application that is being developed to host the data for the various tax systems is designed to allow multiple forms of input into a common repository of applications and data bases. Currently data from electronically filed returns. electronic payments, outside data entry services and several other sources are "taken in" to this integrated application through a common intake process. Using this common intake with the proposed Internet applications will add efficiency and reduce maintenance costs versus standalone applications.
- ***More rapid activity and less errors in depositing of state tax funds-*** Processing of individual estimated payments and individual income tax final payments is expected to improve in direct relation to the utilization of the proposed payment debit activity. With over $.5 billion in taxes paid and over 500,000 payments made each year the potential for improvements in deposit activities are substantial if only 10% of those eligible take advantage of the opportunity. The extension of these opportunities to other taxes following a completion of a successful pilot with the income tax will simply expand the range of benefits that are possible.